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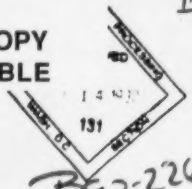

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

B92-2265

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 2-88333

AMERICAN SOUTHWEST FINANCE CO., INC.
(Exact name of registrant as specified in its charter)

Arizona	86-0461972
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2390 East Camelback Road, Suite 225, Phoenix, AZ 85016
(Address of principal executive offices)
(Zip Code)

(602) 381-8960
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of common stock outstanding as of July 9, 1992:

Class A - 22,000 Class B - 37,000

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AMERICAN SOUTHWEST FINANCE CO., INC.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN SOUTHWEST FINANCE CO., INC.
BALANCE SHEETS

ASSETS

	May 31 1992 (Unaudited)	August 31 1991
Cash and Cash Equivalents - Note 1	$ 539,463	$ 470,883
Investments, net		175,000
Receivables pursuant to Funding Agreements - Note 2		
Principal - (Net of issue discount of $177,453 and $211,624, respectively)	121,547,255	137,882,802
Interest	1,370,302	1,044,443
Receivables - other, primarily refundable income taxes	44,228	7,755
Total Assets	$ 123,501,248	$ 139,580,883
Fiduciary Funds (excluded from corporate assets) - see contra and Note 1	$ 1,202,785	$ 1,382,202

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
BALANCE SHEETS (CONT'D)

LIABILITIES AND SHAREHOLDERS' EQUITY

	May 31 1992 (Unaudited)	August 31 1991
Liabilities		
Bonds payable - Note 2		
Principal - (Net of issue discount of $177,453 and $211,624, respectively)	$ 121,547,255	$ 137,882,802
Interest	1,370,302	1,044,443
Accounts payable	1,540	192,055
Total Liabilities	122,919,097	139,119,300
Shareholders' Equity		
Class A Common Stock, $.10 par value; 100,000 shares authorized; 25,000 shares issued; 24,000 and 25,000 shares outstanding at May 31, 1992 and August 31, 1991, respectively	2,500	2,500
Class B Common Stock, $.10 par value; 50,000 shares authorized, 37,000 shares issued and outstanding at May 31, 1992 and 41,000 shares issued and outstanding at August 31, 1992	3,700	4,100
Capital in excess of par value	100,200	100,200
Retained earnings	477,316	354,783
	583,716	461,583
Less: Treasury stock - at cost, Class A Common Stock, 1,000 shares	1,565	
Total Shareholders' Equity	582,151	461,583
Total Liabilities and Shareholders' Equity	$ 123,501,248	$ 139,580,883
Liability for Fiduciary Funds (excluded from corporate liabilities) - see contra and Note 1	$ 1,202,785	$ 1,382,209

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
STATEMENTS OF INCOME
(Unaudited)

	For the three-months ended May 31,		For the nine-months ended May 31,	
	1992	1991	1992	1991
REVENUES				
Interest Pursuant to Funding Agreements	$ 2,803,259	$ 3,389,887	$ 8,801,714	$10,826,360
Other	5,384	6,860	21,915	16,199
Administrative fees	2,703	7,889	13,994	19,855
Redemption income		240,065	167,030	493,503
	2,811,346	3,644,701	9,004,653	11,355,917
COSTS AND EXPENSES				
Interest on bonds	2,803,259	3,389,887	8,801,714	10,826,360
Other expenses	2,401	11,106	21,406	49,222
	2,805,660	3,400,993	8,823,120	10,875,582
INCOME BEFORE TAXES	5,686	243,708	181,533	480,335
PROVISION FOR INCOME TAXES	2,000	110,446	59,000	207,986
NET INCOME	$ 3,686	$ 133,262	$ 122,533	$ 272,349
EARNINGS PER SHARE - Note 3	$ .15	$ 5.43	$ 5.00	$ 10.96
Weighted average number of Class A Shares outstanding	23,989	24,554	24,500	24,849

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the nine-months ended May 31, 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 122,533	$ 272,349
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Principal accretion on receivables pursuant to funding agreements		(1,068,858)
Principal accretion on bonds payable		1,068,858
Amortization of discount on receivables pursuant to funding agreements	(34,171)	(34,530)
Amortization of discount on bonds payable	34,171	34,530
Increase in interest receivable pursuant to funding agreements	(325,859)	(393,660)
Increase in interest payable	325,859	393,660
Increase in other receivables	(36,473)	(6,559)
(Decrease) increase in accounts payable	(190,515)	211,003
Total Adjustments	(226,988)	204,444
Net cash (used in) provided by operating activities	(104,455)	476,793

AMERICAN SOUTHWEST FINANCE CO., INC.
STATEMENTS OF CASH FLOWS (CONT'D)
(Unaudited)

	For the nine-months ended May 31, 1992	1991
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection of receivables pursuant to funding agreements	16,369,718	22,078,356
Purchase of investments, net	(228,249)	
Maturity of investments, net	403,249	
Net cash provided by investing activities	16,544,718	22,078,356
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction of bonds payable	(16,369,718)	(22,078,356)
Acquisition of Class A Treasury Stock	(8,508)	(2,665)
Sale of Class A Treasury Stock	6,943	
Acquisition and retirement of Class B Stock	(400)	
Net cash used in financing activities	(16,371,683)	(22,081,021)
Net increase in cash and cash equivalents	68,580	474,128
Cash and cash equivalents at beginning of period	470,883	159,631
Cash and cash equivalents at end of period	$ 539,463	$ 633,759

Disclosure of accounting policy:
For purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.

AMERICAN SOUTHWEST FINANCE CO., INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - CASH AND CASH EQUIVALENTS

The amounts excluded from the Company's assets and liabilities presented as "Fiduciary Funds" and "Liabilities for Fiduciary Funds" on the accompanying balance sheets as of May 31, 1992 and August 31, 1991, represent funds of participating Finance Companies held on behalf of the Finance Companies primarily for future bond administration expenses.

NOTE 2 - MORTGAGE COLLATERAL

Funds generated by principal and interest payments on the Mortgage Collateral securing a Series of Bonds are held by the trustee until the payment dates for the Bonds. Amounts not required to make principal and interest payments on the Bonds of a Series are used to pay current fees and expenses, are held in reserve funds for future fees and expenses, are held in special reserve funds securing the Bonds, or are paid to Finance Companies.

NOTE 3 - EARNINGS PER SHARE

Earnings per share calculations are based on the weighted average number of Class A common shares outstanding since voting and dividend rights are limited to Class A shareholders. Class B shareholders' rights are limited to a return of capital together with a share of the Company's profits, if any, provided such profits were not paid to Class A shareholders as dividends prior to dissolution.

NOTE 4 - MANAGEMENT REPRESENTATION

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial results for the interim period presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

American Southwest Finance Co., Inc. (the "Company") was organized to facilitate the financing of long-term residential mortgage loans secured by single-family residences through the issuance of mortgage-collateralized bonds ("Bonds") in series ("Series"). The Company does not have and is not expected to have any significant assets other than the assets pledged to secure specific Series of Bonds. The net proceeds of a Series of Bonds are applied toward the simultaneous purchase or the repayment of indebtedness with respect to the mortgage collateral securing such Series of Bonds (the "Mortgage Collateral") or to fund loans to participating finance companies ("Finance Companies") pursuant to funding agreements ("Funding Agreements"). The Company last issued a Series of Bonds in July 1987. Issuance fees ("Bond Issuance Fees") charged for each Series of Bonds issued by the Company are used to pay Bond offering expenses.

Each Series of Bonds that has been issued is a nonrecourse obligation of the Company payable solely from the Mortgage Collateral and other collateral (together the "Collateral") pledged to secure such Bonds. Neither the Company nor the Finance Companies guarantee the Bonds or are obligated to pay the Bonds except from the proceeds of the Collateral securing such Series of Bonds.

Liquidity and Capital Resources

The Company's principal sources of liquidity consist of other interest income, administrative fee revenue and redemption income. The Company's other interest income consists primarily of interest earned on the Company's general operating funds. Increased general funds resulting from redemption income have allowed the Company, in a decreasing interest rate environment, to

increase its other interest income during the current year compared to the same period for the prior year.

The Company's administrative fee revenues are derived from fees charged to the Finance Companies for administration of Fiduciary Funds. Fees vary depending on investment returns of certain Fiduciary Funds.

The indenture supplements relating to certain Series of Bonds issued by the Company have call provisions which give the Company the option of redeeming such Bonds in whole or in part when specific criteria are met. The Company exercised the right to redeem the outstanding Series R-3 Bonds on October 29, 1991. Expenses related to this redemption are included in other expenses. Although redemption opportunities are favorable in the current interest rate environment, the benefits of redemptions are not predictable due to a variety of factors including uncertainty of the time at which the Company may effect redemptions of the outstanding Bonds, prevailing interest rates and other market factors which may exist at the time of a redemption.

Other expenses of the Company consist primarily of professional fees which fluctuate depending on the activities of the Company. Expenses related to redemptions on December 17, 1990, March 29, 1991 and October 29, 1991 are included in the periods presented and create the variances when comparing periods.

In addition to the items of operating income and expenses described above, the Company also includes for financial statement purposes the interest income on the Collateral securing each Series of Bonds and the interest expense on the outstanding Bonds of each Series issued by the Company. Both interest

income on the Collateral and interest expense on the Bonds decreased in the three-month period ended May 31, 1992 and in the nine-month period ended May 31, 1992 as compared to the same periods in 1991. This decrease is primarily due to a smaller aggregate amount of Collateral securing such Bonds and correspondingly, a smaller amount of outstanding Bonds.

The amount of interest income received on the Collateral securing the various Series of Bonds issued by the Company, the rate at which principal prepayments are made on such Collateral, the amount of other interest income earned on the Company's general operating funds, and the amounts distributed to the Finance Companies ("Surplus"), are each dependent upon prevailing interest rates and are significantly affected by interest rate fluctuations. However, since Surplus (generally, the right to receive the remaining cash flow available on Collateral after debt service and payment of administrative expenses on Bonds) is not retained by the Company, the risks associated with fluctuations in interest rates are borne primarily by the Finance Companies rather than by the Company.

The Company believes that scheduled payments of principal and interest on the Collateral pledged to secure each Series of Bonds, together with amounts available from reserve funds established for each such Series of Bonds and any reinvestment income on such amounts, will provide sufficient funds (i) to make timely payments of principal and interest on such Bonds when due and to retire such Bonds not later than their respective stated maturities and (ii) to pay related Bond administration expenses.

Results of Operations

The Company's net income decreased for the three-month period ended May 31, 1992 compared to the three-month period ended May 31, 1991 and for the nine-month period ended May 31, 1992 compared to the nine-month period ended May 31, 1991, primarily as a result of a lower level of redemption income in the current fiscal year.

The Company's primary purpose is issuance of Bonds; however, changes in both federal and state tax laws during 1986 and 1987 reduced the benefits to the Finance Companies which utilized the Bond issuance program. At the same time, increased Bond origination and collateral securitization activity by government backed issuers such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and in recent periods, the Resolution Trust Corporation impacted market issuance efficiencies at the private sector level. These changes curtail the desirability to continue issuance, limit profit opportunity and reduce the economic benefits to the Company and to the Finance Companies.

The interest rate environment is affected by conditions in financial markets, the fiscal and monetary policies of the United States government and the Board of Governors of the Federal Reserve System, international economic and financial conditions and other factors, none of which can be predicted with any certainty.

Impact of Inflation and Changing Prices

Virtually all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the performance of the Company than the effects of general levels of inflation

since changes in prevailing interest rates will affect the availability, cost, and expected maturity of Collateral. This in turn will affect the Company's ability to issue new Series of Bonds and earn Bond Issuance Fees. Changes in interest rates (particularly long-term interest rates) also affect the timing and profit potential of Bond redemptions, with lower rates being a positive factor and higher rates being a negative factor. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services, since such prices are affected by inflation while interest rates generally are not affected to the same degree. Nevertheless, because (i) each Series of Bonds is secured by Collateral paying interest at fixed rates, (ii) interest on each class of Bonds of a Series is paid at fixed rates, and (iii) the Company does not retain the Surplus, neither changes in interest rates nor inflationary pressures are expected to significantly affect the ability of the Company to meet its obligations as they become due.

AMERICAN SOUTHWEST FINANCE CO., INC.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits: None.

(b) Reports on Form 8-K: None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN SOUTHWEST FINANCE CO., INC.

Date: July 10, 1992

G. Thomas Eggebrecht
President and Chief Executive Officer

Date: July 10, 1992

Richard H. Hackett
Executive Vice President, Treasurer and
Chief Financial and Accounting Officer